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P 081556Z MAY 08
FM AMEMBASSY ABUJA
TO RUEHC/SECSTATE WASHDC PRIORITY 2797
INFO RUEHZK/ECOWAS COLLECTIVE PRIORITY
RUEHOS/AMCONSUL LAGOS PRIORITY 9191
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS ABUJA 000840

SIPDIS

DOE FOR GPERSON
TREASURY FOR RHALL AND DPETERS

E.O. 12958: N/A
TAGS: [ECON](#) [ENRG](#) [EPET](#) [PGOV](#) [NI](#)
SUBJECT: NIGERIA APPROVES MULTI-YEAR ELECTRICITY TARIFF

REF: ABUJA 402

¶1. (U) The Government of Nigeria (GON) approved a multi-year tariff order (MYTO) allowing a rate structure that captures the full cost of delivering electricity. Dr. Ransome Owan, CEO of the Nigeria Electricity Regulatory Commission, told us that the MYTO will provide the regulatory framework for public private partnerships and encourage investment from the private sector in Nigeria's power sector. The MYTO facilitates an orderly transition to a much more efficient and reliable market-oriented power supply system. The fifteen year tariff will begin implementation on July 1, 2008.

¶2. (U) The \$1 billion subsidy will ease rate shock by providing a phased subsidy that allows the full annual revenue to be calculated; thereby providing the internal cash flow for salaries, maintenance, repair, and investment in the power grid. The first year subsidy is \$364.1M, second year \$434.7M, and the final year \$201.2M.

¶3. (U) Comment: Nigeria's electricity grid is on the brink of collapse and the MYTO is a positive step forward. The tariff is key for private sector participation since it reduces regulatory risks significantly. One potential hurdle remaining is that the supplemental budget appropriation may not be passed before the rate is implemented. End Comment.
SANDERS